



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D.C. 20230

CONFIDENTIAL

October 6, 1982

MEMORANDUM FOR

Ken Dam
Bud McFarland
Allen Wallis
Norman Bailey
Marc Leland
Fred Ikle
Richard McCormack
Henry Rowan

FROM:

Lionel H. Olmer *LHO*

SUBJECT:

U.S. Sanctions on Creusot-Loire and Mannesmann
Anlagenbau

- (C) The attached memorandum sets forth the reason for the Department of Commerce's issuance in August of a temporary denial order (TDO) against Creusot-Loire, and the issuance on October 5 of TDO's against AEG Kanis, Mannesmann Anlagenbau and several subsidiaries in connection with the AEG Kanis shipment of natural gas turbines to the Soviet Union.

Attachment

Not referred to DOC. Waiver applies.



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TDO'S AGAINST AEG KANIS, CREUSOT-LOIRE AND
MANNESMANN ANLAGENBAU

The Department of Commerce issued temporary denial orders (TDO's) on October 5 against AEG Kanis, and Mannesmann Anlagenbau and several of its subsidiaries. The investigation has revealed the following facts:

- o AEG Kanis shipped three natural gas turbines to the Soviet Union on October 1, 1982 contrary to U.S. export regulations.
- o Under the terms of the November 24, 1981 supply contract between Mannesmann Anlagenbau, AEG Kanis and the Soviet foreign trade organization Machinoimport, Mannesmann had a supervisory role as well as obligations to arrange mutually convenient shipment of the Kanis turbines to the Soviet Union. Mannesmann also had contractual obligations concerning delivery under the September 28, 1981 Consortium contract between it, Creusot-Loire and Machinoimport.
- o Mannesmann officials claim that the company did not direct or approve the Kanis shipment; but the company does not appear to have taken any action to stop or suspend the shipment. For example, Mannesmann has failed to exercise the authority it has under the supply contract to cancel the shipments if the necessary export authorizations cannot be obtained.
- o The Creusot-Loire contractual situation appears to be the same as Mannesmann except that Creusot served as the conduit of payment by Machinoimport to Dresser France. Mannesman, however, did not serve as a conduit for Soviet payment to AEG Kanis.
- o Additionally, Creusot signed a Declaration of Conformity subsequent to the June 22, 1982 U.S. export controls which stated that the Dresser France compressors conformed to the technical specifications of the September 28, 1981 supply contract between Creusot-Loire, Dresser France and Machinoimport. Mannesmann contends that it did not sign a Declaration of Conformity, but its supply contract gives it the right to inspect the AEG Kanis turbines. We are investigating Mannesmann's involvement in inspections.
- o We are also continuing to investigate the issue of Creusot-Loire's U.S. technology licensor Cooper Industries as it pertains to the former's contractual obligation to supply 42 natural gas compressors to Machinoimport.

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